DOCUMENT RESUME

ED 448 651 HE 033 660

TITLE	Analysis of 2000 Financial Forecasts and Annual Operating Statements. Report.
INSTITUTION	Higher Education Funding Council for England, Bristol.
REPORT NO	HEFCE-00-53
PUB DATE	2000-11-00
NOTE	29p.
PUB TYPE	Reports - Descriptive (141)
EDRS PRICE	EDRS Price MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	Annual Reports; *Colleges; *Educational Finance; Expenditures; Federal Aid; *Financial Support; Foreign Countries; Government Role; Higher Education; *Income; *Operating Expenses
IDENTIFIERS	*England

ABSTRACT

This report provides a summary of financial projections for the higher education sector in England covering 1999-2000 to 2003-2004 and a summary of the sector's annual operating statements for 1999-2000 and 2000-2001. It is based on information provided by higher education institutions in July 2000. These forecasts were prepared before the outcome of the Government's 2000 spending review was announced and do not reflect additional funding announced then. The trend for an increasing proportion of income to higher education institutions being from nonpublic sources continues. The proportion could rise to 40% by 2003-2004, when nonpublic income across the sector should exceed 4,500 million pounds. Universities and colleges need to generate annual operating expenses to provide the positive cash flow for reinvestments and to fund future developments. Overall, the operating position is less than that considered necessary to provide for reinvestment and future development. Some suggestions are made to address the shortfall in operating surpluses, including seeking additional public and nonpublic funds, addressing the tendency of some institutions not to charge full costs for activities, and developing cost-sharing measures. Operating statements from institutions show that about four-fifths of the institutions are fully or mostly achieving the activities and targets they set for themselves in terms of widening participation and with regard to learning and teaching strategies. Of the 42 equipment-only projects planned by universities, around half were fully or mostly completed on schedule by the end of the 1999-2000 academic year. Six annexes contain the financial forecasts and some case studies of good practice. (SLD)

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ED 448 651

November 00/53

Report

Analysis of 2000 financial forecasts and annual operating statements

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Analysis of 2000 financial forecasts and annual operating statements

To	Heads of HEFCE-funded higher education institutions Heads of universities in Northern Ireland
Of interest to those responsible for	Finance, Planning, Management
Reference	00/53
Publication date	November 2000
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Executive summary

Purpose

1. This report provides a summary of financial projections for the higher education sector covering 1999-2000 to 2003-04 and a summary of the sector's annual operating statements for 1999-2000 and 2000-01. It is based on the information provided by higher education institutions in July 2000.

2. Universities and colleges are encouraged to develop corporate plans to help deliver their strategic aims. Such plans should incorporate financial strategies and be underpinned by projections of the financial impacts of their strategic aims. Within these plans, targets and milestones should be set against which progress can be measured. Annual operating statements demonstrate how those targets have been met in the past year and set out priorities for the coming year. These, along with financial forecasts, form integral parts of the strategic planning and performance monitoring processes.

Key points

Financial forecasts

3. The financial forecasts were prepared by higher education institutions before the outcome of the Government's 2000 spending review was announced. As such the impact of the

announced additional funding[1] has not been included, and the forecasts need to be viewed accordingly. This additional funding is as follows:

- £100 million additional recurrent funding for 2001-02
- £1,000 million to support investment in the scientific research infrastructure for the three years from 2001-02 to 2003-04
- an additional £80 million for the Higher Education Innovation Fund for 2001-02 to 2003-04
- over £50 million of the £150 million for the 'Excellence Challenge' for 2001-02 to 2003-04, to support widening student participation in higher education.

4. With this exception, the forecasts have been based on realistic assumptions, reflecting the economic climate under which they were prepared. Based on past experience, they are a reliable indicator of the future financial position, but tending to project a slightly worse position than is achieved in the event.

5. The trend for an increasing proportion of income to HE institutions being from non-public sources continues. The proportion could rise to 40 per cent by 2003-04, when non-public income across the sector should exceed £4,500 million.

6. Universities and colleges need to generate annual operating surpluses to provide the positive cash flow for reinvestment and to fund future developments. Across the sector we have assessed this as being in the region of 3 per cent to 4 per cent of total income. However, this level will vary between institutions; for some universities and colleges, which invest to maintain and replace their assets, the level will be close to zero.

7. Against this 3 per cent target for the sector as a whole the operating position is between £250 million and £300 million a year less than that considered necessary to provide for reinvestment and to fund future developments.

8. The actions to address the shortfall in operating surpluses should include:

a. Continuing to secure increases in public funding to address past under-investment and the erosion of the unit of resource.

b. Continuing to increase the level and range of non-public income sources.

c. Addressing the 'low price culture' that has developed across the range of activities and services provided by universities and colleges – that is, the tendency of some HEIs not to charge full costs for activities and services provided under contract to others.

d. Controlling recurring expenditure within affordable limits.

e. Sharing costs through increased collaboration between institutions, and improving asset utilisation.

9. The sector's ability to fund capital expenditure directly or through borrowing is constrained by the levels of its operating cash flows and by available capital funding. Here again, the increased capital funding for the scientific research infrastructure announced in the spending review should assist that area of capital investment. There is also a continuing need for sustained investment in the non-research infrastructure.

10. There continue to be marked differences between institutions in their financial strength, with a significant proportion of the sector's total financial liquidity and reserves concentrated in a small number of institutions.

Annual operating statements

11. This is the second year in which we have sought annual operating statements (AOSs) in their current form. The exercise has worked well. We will continue to evolve the framework, extending the principle of identifying the minimum range of information which we need for monitoring purposes, and collecting as much of it as possible through AOSs.

[1] Announcements of additional funding were made on 18 July 2000; funding for the Excellence Challenge was announced on 14 September 2000.

12. Our analysis of this year's AOSs focuses on the four HEFCE strategic initiatives on widening student participation in HE, raising the quality of learning and teaching, the HE Reach-out to Business and the Community programme, and project capital.

Widening participation

13. Around four-fifths of institutions are either fully or mostly achieving the activities and targets that they set for themselves in their initial statements. In other cases progress was unsatisfactory because of significant slippage against an institution's plans, or the AOS gave inadequate information to enable us to make a judgement about progress in the 1999-2000 academic year.

Learning and teaching strategies

14. Around four-fifths of institutions reported that they were fully or mostly achieving the activities and targets that they had set for themselves for the 1999-2000 academic year. A few institutions had fallen behind in their plans, and others had not provided enough information for us to form a view about progress, and we will follow that up with them.

Higher Education Reach-out to Business and the Community

15. The great majority of institutions have fully or mostly achieved the targets and activities described in their business plan for the first year. A small minority of institutions have fallen behind in their plans. In a number of cases this was due to the lead-times for recruiting staff. We will discuss with these institutions their plans to remedy slippage. Others did not describe their activities or targets in sufficiently specific terms to form the basis for monitoring progress next year, and we will seek further information.

Project capital

16. Of the 42 equipment-only projects, around half were fully or mostly completed on schedule by the end of the 1999-2000 academic year, seven were delayed and for the remainder there was insufficient information to make a judgement. Around half of the 26 building and mixed building-and-equipment projects were fully or mostly completed by the end of 1999-2000, four were delayed, and for the remainder there was insufficient information to make a judgement.

Follow-up work

17. We will follow up cases of insufficient information or apparently inadequate progress through our regular meetings between institutions and HEFCE Regional Consultants.

18. Through the review of AOSs we collected a number of examples of good practice. We have used these to provide case study illustrations which are at Annex F.

Action required

19. None. This report is for information.

Introduction

20. Higher education institutions (HEIs) are required to provide the Council with financial forecasts and annual operating statements (AOSs) each July in support of their strategic plans.

21. The financial forecasts are analysed to inform our views about the institutional health of each HEI in receipt of Council grants. They also feed into our assessment of the general financial position of the sector, which informs our advice to the Secretary of State.

22. Following consultation with the sector, in 1999 we revised our approach to HEI corporate planning in order to reduce the burden on institutions and provide a more co-ordinated approach to monitoring our special funding. We now ask for a corporate plan on a three-year cycle and request an AOS each July. This approach is consistent with our commitment to improving accountability, and with the recent report by PA Consulting (HEFCE 00/36 'Better accountability for higher education'). We intend over time to extend the principle of identifying the minimum range of information which we need for monitoring purposes, and to collect as much of it as possible through AOSs.

23. In April 2000 we issued HEFCE 00/20 which asked institutions to provide an annual operating statement and financial forecasts by the end of July 2000. The request for an AOS required HEIs to provide summary statements indicating their strategic direction and priorities for action in the 2000-01 academic year, and their own assessment of progress against their objectives in 1999-2000. We use the priorities identified within each AOS to inform discussion with institutions as part of our wider approach to institutional corporate planning. The returns are also used to inform our advice to the Secretary of State and to derive trends and developments across the sector.

24. In four areas we have a particular interest in the activities and related targets described in the AOS because these are areas where most HEIs are supported with our strategic special funding. These four areas also account for the majority of our special funding:

- widening participation
- learning and teaching – institutional funding
- Higher Education Reach-out to Business and the Community (HEROBC) funding
- project capital.

Financial forecasts

Income and expenditure

25. These forecasts, as in previous years, were prepared on assumptions reflecting the prevailing economic conditions at the time. This leads to changes in forecasts between years. However, these changes are relatively small, given the size of the HE sector. The actual results each year have tended to confirm the reliability of the higher education sector's short to medium term forecasting, with the variances being less that 1 per cent of total income. Longer term forecasting is subject to greater uncertainty and tends to be more prudent. A time series from 1994-95 of forecasts and actual results is at Annex A.

26. These forecasts were prepared before the outcome of the Government's 2000 spending review was announced, and this report needs to be read with that caveat in mind. The full details of the spending review allocations will be available over the coming months.

27. The forecast income and expenditure position for the sector as a whole is at Annex B, and is summarised in Table 1.

Table 1 **Actual and forecast income and expenditure position**

	Actual 1997-98 £M	Actual 1998-99 £M	Forecast 1999-2000 £M	Forecast 2000-01 £M	Forecast 2001-02 £M	Forecast 2002-03 £M	Forecast 2003-04 £M
Total income	9,500	9,915	10,328	10,750	11,138	11,543	11,924
Total expenditure	9,223	9,741	10,243	10,732	11,084	11,451	11,819
Surplus after depreciation of assets at valuation and tax	265	173	132	41	58	94	103
Surplus as % of total income	2.79%	1.74%	1.28%	0.38%	0.52%	0.81%	0.86%

28. These projected levels of operating surplus are materially affected by exceptional items, mainly gains or losses on property transactions as shown in Table 2. These show that the underlying operating position is forecast to continue to be very tight for the sector as a whole.

Table 2 **Actual and forecast operating surpluses and exceptional items**

	1998-99 £M	1999-2000 £M	2000-01 £M	2001-02 £M	2002-03 £M	2003-04 £M
Surplus after depreciation of assets at valuation and tax (including exceptional items)	173	132	41	58	94	103
Exceptional items	25	48	24	6	4	-1
Surplus after depreciation of assets at valuation and tax (excluding exceptional items)	148	84	17	52	90	104
Surplus (after exceptional items) as % of total income	1.49%	0.81%	0.16%	0.47%	0.78%	0.87%

29. Forecast increases in total income and total expenditure are kept broadly in line over the forecast period, at an average of just below 4 per cent a year.

30. Forecast increases in annual funding council grants are less than 2 per cent from 2001-02. This is probably low given the Government's policy to increase participation in higher education to 50 per cent of those under 30 by 2010, and as noted above does not take account of the outcome of the spending review. In contrast there are forecast annual increases in fee income of over 5 per cent and in research grants and contracts of over 6 per cent. These will be more challenging targets to meet across the sector and will require an increase in demand, but are not out of line with increases achieved in previous years.

31. Pay rates across the sector are forecast to increase by an average of 3 per cent a year. Coupled with incremental pay drift of 1 per cent a year, this represents an increase in pay expenditure of around 4 per cent a year. From 1998-99 to 2000-01 staff numbers increase by 1 per cent a year then remain constant. Non-pay inflation is forecast to increase in line with increases in the GDP deflator of 2.5 per cent a year, representing no real increase in the level of expenditure.

32. The dependence of universities and colleges on public funding is forecast to continue to reduce over the forecast period for the sector as a whole. A time series from 1994-95 to 2003-04 is at Annex C. By 2003-04 income from non-public sources for the sector as a whole will probably exceed £4,500 million.

33. The aggregate projections include a number of universities and colleges which are forecasting operating deficits (see Table 4 below), with no action stated in the forecasts as to how these deficits will be eliminated. In other cases universities and colleges have included the costs of the actions to be taken to reduce recurrent expenditure. The impact of these decisions is to increase one-off expenditure over 1999-2000 to 2001-02, with the benefits in reduced recurrent expenditure beginning to show from 2002-03. The commentaries provided with the financial forecasts indicate the actions to bring income and expenditure into balance. Consistent actions across the sector include:

- internal reorganisation, staff restructuring and redundancy schemes
- reviews of academic portfolio
- increases in student:staff ratios
- freezing of vacant posts
- reductions in non-staff expenditure, including maintenance
- restricting budget allocations until recruitment levels met
- renegotiating costs of long-term finance
- expansion of income-generating activities
- increasing recruitment of overseas students
- asset sales.

34. Universities and colleges need to generate annual operating surpluses to provide the positive cash flow for reinvestment and to fund future developments. The actual level of such an annual operating surplus will vary, depending on the circumstances of individual universities or colleges. Across the sector we have assessed this as being in the region of 3 per cent to 4 per cent of total income.

35. This target may be reduced through the availability of capital grants following the 1998 and 2000 spending reviews, since those provide earmarked funding for investment in infrastructure. These grants are, however, concentrated in the research intensive universities because a significant proportion is earmarked for the renewal of the research infrastructure. It is also true that as private income increases, HEIs may need greater cash reserves to manage the risks associated with more volatile cash flows.

36. The forecast operating surpluses in Table 2 are well short of even the lower end of the target range, as shown in Table 3. However, these figures need to be interpreted with care when considering individual HEIs: some universities and colleges may be undertaking the necessary investment, and therefore not showing operating surpluses at the sector target level because the expenditure is already taking place. Thus to get a complete picture we need to look at both the level of operating surplus and the level of capital investment at the same time.

Table 3 **Target and forecast operating surpluses**

	3% target operating surplus £M	Forecast operating surplus (excluding exceptional items) £M	Shortfall £M
1999-2000	310	84	226
2000-01	322	17	305
2001-02	334	52	282
2002-03	346	90	256
2003-04	358	104	254

37. These shortfalls against the 3 per cent target are of similar magnitude to those indicated by previous forecasts. While some of this gap will be bridged through improved performance, and through the additional funding allocated in the spending review, the underlying low surpluses remain. There is no single or simple solution to address this position. But in so far as institutions are not already re-investing sufficiently to maintain their capital facilities in the long term, it will need to be tackled through actions at sector and at local levels. These include:

a. Continuing to secure increases in public funding to address past under-investment and the erosion of the unit of resource.

b. Continuing to increase the level and range of non-public income sources.

c. Addressing the 'low price culture' that has developed across the range of activities and services provided by universities and colleges – that is, the tendency of some HEIs not to charge full costs for activities and services provided under contract to others.

d. Controlling recurring expenditure within affordable limits.

e. Sharing costs through increased collaboration between institutions, and improving asset utilisation.

38. Some of these actions are for universities and colleges to take; some are already in hand. Other actions will require co-ordination across the sector, and some will require up-front funding to enable the cost benefits to be secured. The extent to which the Council can assist will depend on the funding we have available, taking account of other spending priorities, to distribute through the restructuring and collaboration fund, the poor estates initiative and project capital.

39. The sector-wide analysis averages a wide range of operating results and forecasts between institutions. The number of universities and colleges forecasting operating deficits (bearing in mind that this is before taking account of the results of the spending review) are shown in Table 4.

Table 4 **Actual and forecast operating deficits**

	Number of HEIs forecasting operating deficits	Percentage of total number of HEIs
1998-99 (actual)	30	22%
1999-2000	54	40%
2000-01	45	34%
2001-02	39	29%
2002-03	33	25%
2003-04	35	26%

40. Conversely, some universities and colleges already operate with surpluses at or in excess of the 3 per cent target level, as shown in Table 5. A few of these surpluses in 1998-99 to 2000-01 include large exceptional gains.

Table 5 **Actual and forecast operating surpluses at or above 3 per cent target**

	Number of HEIs forecasting operating surpluses at 3% or above	Percentage of total number of HEIs
1998-99 (actual)	32	24%
1999-2000	27	20%
2000-01	14	10%
2001-02	11	8%
2002-03	12	9%
2003-04	17	13%

41. The relatively low operating margins mean that small changes have a major impact where these vary from forecast levels. As in previous years, even 1 per cent adverse changes in pay increases, non-pay inflation, or funding levels from those assumed in the forecasts would have significant financial consequences for all universities and colleges. This impact would be reduced to the extent that compensatory action could be taken.

Balance sheet

42. The balance sheet for the sector as a whole is at Annex D. In aggregate the sector is forecasting increases in fixed assets, financed through positive operating cash flows, increased capital grants and some increase in borrowing. Net current assets, cash and liquid resources remain broadly unchanged over the forecast period.

43. The cash and liquid reserves held by the sector are modest. Net cash balances (bank and cash balances less overdrafts) expressed in the number of days of expenditure are still considered to be low. For the sector as a whole these are 14 days at 31 July 1999 and remain unchanged until a marginal increase to 17 days at 31 July 2004. The broader measure of liquidity (bank and cash balances plus current asset investments less overdrafts) reduces from 62 days at 31 July 1999 to 51 days at 31 July 2002, before increasing to 56 days at 31 July 2004.

44. Aggregate external borrowing is forecast to increase by 17 per cent over the forecast period from £1,778 million outstanding at 31 July 1999 to £2,083 million by 31 July 2003. New borrowing is forecast to be at marginally higher levels than shown in the 1999 forecasts.

45. These aggregate sector financial positions mask the wide disparity between institutions, with much of the financial liquidity and reserves of the sector continuing to be concentrated in a few (mainly pre-1992) universities. For example:

a. Around 10 HEIs (7 per cent of the sector) had net cash balances in excess of £10 million, representing over 50 per cent of the sector total.

b. Around 20 HEIs (15 per cent of the sector) hold close to 60 per cent of the sector's net liquid resources.

c. Around 40 HEIs (30 per cent of the sector) have external borrowing in excess of £20 million, representing around 70 per cent of total external borrowing, while around 25 HEIs (18 per cent of the sector) have no external borrowing.

d. Around 20 HEIs (15 per cent of the sector) have discretionary reserves (general endowments plus the balance on the income and expenditure account) in excess of £50 million, representing around 60 per cent of the sector total. The number of HEIs with discretionary reserves in excess of £100 million is forecast to increase from four in 1998-99 to nine by 2003-04.

46. Similarly there are universities and colleges whose forecasts indicated severe financial constraints. For example:

a. Around 10 HEIs (7 per cent of the sector) are forecasting to have a negative net cash balance throughout the forecast period.

b. Around 70 HEIs (52 per cent of the sector) have net cash balances representing less than 10 days of expenditure.

c. Over 30 HEIs (22 per cent of the sector) are forecasting to have net current liabilities until 2002-03 when the number drops marginally below 30.

Cash flow

47. The cash flow forecasts for the sector as a whole are at Annex E. The pattern of positive cash flows from operating activities is similar to that forecast in 1999. These continue to act as a constraint on the sector's capacity to reinvest and provide for new developments, despite the substantial increases in capital grants from the 1998 spending review. Table 6 shows the forecast levels of capital and how these are expected to be financed (again bearing in mind that the forecasts do not take account of the results of the July 2000 spending review announcement).

48. The availability of capital grants impacts on the levels of capital expenditure, as universities and colleges are constrained in how much they can invest through the levels of operating cash flows generated and their ability to take on and service higher levels of borrowing from those operating cash flows. Increasing levels of capital expenditure, above forecast levels, can be achieved through either:

a. Increased levels of capital grants (the levels of capital expenditure in 2002-03 and 2003-04 will increase following the outcome of the Government's 2000 spending review and announcements of additional research capital in July 2000).

b. Increased operating cash flows from higher operating surpluses generated through the actions set out in paragraph 37. This would either allow increased direct expenditure or allow higher levels of borrowing to be serviced.

49. Within the total operating cash flows there are some universities and colleges which were forecasting negative operating cash flows. These are around 30 (22 per cent of the sector) in 1998-99 and for 1999-2000, but decline to around 15 (11 per cent of the sector) from 2001-02 onwards. These positions clearly act as a constraint in funding capital expenditure or servicing borrowing, and are clearly not sustainable beyond the very short term.

Table 6 **Actual and forecast capital expenditure and financing**

	Capital expenditure	Asset sales	Capital grants	New borrowing	Net expenditure to be internally financed	*Available funds from operating cash flow*
	£M	£M	£M	£M	£M	£M
1998-99 (actual)	1,016	80	226	310	400	*342*
1999-2000	923	146	292	210	275	*271*
2000-01	1,254	123	558	205	368	*347*
2001-02	1,040	57	434	157	392	*387*
2002-03	652	39	205	91	317	*439*
2003-04	445	65	111	65	204	*473*

50. We expect institutions to produce annual operating statements (AOSs) as a matter of course for their own purposes. Our request for the AOS allowed institutions to report through their own operating statements or to complete a standard template. We asked institutions to focus their responses on the issues on which we particularly needed information. Just over half of the institutions have filled out the template directly, while most of the remainder have cross-referred to an AOS prepared for their own purposes.

51. This approach facilitated a reasonably structured approach to the analysis of AOS returns. We compared institutions' descriptions of the set of activities for 1999-2000 that they said they would undertake with the special strategic funding we allocated, against their evidence in the AOS. For the purpose of this analysis we classified institutional responses under the four strategic initiatives as satisfactory or unsatisfactory, and highlighted a number of cases of good practice for dissemination to the sector.

52. In a small minority of cases institutions did not provide any evidence – or only provided scanty information about their progress in the 1999-2000 academic year, which may not actually reflect their performance. We will contact these institutions to clarify the position.

53. The percentages given in this analysis necessarily reflect an element of judgement, because of the variation in institutions' reporting practices and the amount of evidence provided. To ensure as much consistency as possible, Regional Consultants held moderation discussions with HEFCE regional teams, and the AOS project team had a cross-regional benchmarking role.

54. For the purposes of this year's AOSs, the targets have largely been interim process targets about undertaking specified activities supported by the funds allocated. They have not been about the securing of ultimate outcomes to widen participation, raise quality and so on, because it is still too early to expect evidence of progress in those terms. In our publication commissioning AOSs (HEFCE 00/20) we told institutions that initially we would focus on the achievement of their process and interim targets, but expect over time that institutions would show that the activities were having the intended effect in securing the desired outcomes. Our presumption is that each HEI will continue to determine its own targets, rather than us attempting to prescribe anything sector-wide. The variety of institutions' needs and circumstances is such that they should decide their own targets, albeit in the light of an increasing wealth of information which we can disseminate about good practice.

Widening participation

55. The purpose of student-related additional funding for widening participation was:

- to support the additional costs of provision for the students concerned
- to support proven success in widening participation
- to provide an incentive for institutions to develop widening participation activity.

56. A total of £24 million was made available through the grant for 1999-2000.

57. In October 1999 institutions provided initial statements on their strategies, including plans for the additional formula funding allocated for widening participation, recruitment targets for under-represented groups, and targets for improvements in their retention. The format of the initial statements was not tightly prescribed.

58. Our analysis of progress in the widening participation area as reported in AOSs suggests:

a. Around four-fifths of institutions (81 per cent) are either fully or mostly achieving the activities and targets that they set in their initial statements.

b. In a couple of cases progress was felt to be unsatisfactory because of significant slippage against an institution's plans.

c. In around one-fifth of cases (18 per cent) we felt that the AOS gave inadequate information to enable us to make a judgement about progress in 1999-2000 and we will seek further information from these institutions. In such

cases, the institutions had often reported progress in terms of the collaborative projects supported through our special funding programme for widening participation, rather than their use of the individual institutional funding allocated through the postcode-related premium.

59. Funds for widening participation have sometimes been used to embed activities or consolidate posts which were previously supported through short-term funding, rather than being used for completely new projects or activities. Where funding was used to support these 'mainstreamed' activities, it was often difficult to identify the outcomes in the AOS. In such cases more reporting on organisational and numerical targets would have been helpful.

60. We considered the detail about activities and targets for 2000-01. This information will provide the basis for monitoring progress in next year's AOS exercise. It was important to have additional information about activities and targets for widening participation in 2000-01, because the initial statements had generally not set out the activities for each year in specific terms. We found that in a third of cases the AOS did not provide us with specific activities or targets suitable to form the basis for monitoring progress next year, and will have further discussion with these institutions.

Learning and teaching

61. The purpose of our special funding in this area is to promote the development and implementation of institutional learning and teaching strategies. Funds are not for the production of learning and teaching strategies as such, but rather to support extending existing activity or generating new activities, and to encourage other institutional resources to be directed at delivering learning and teaching strategies. We also encouraged institutions to address a number of national priorities, such as employability and staff development.

62. We requested a learning and teaching strategy from each institution by January 2000, together with details of the activities to be funded. Some institutions submitted an emerging strategy in January 2000 and a full strategy in May 2000. Both the strategy and the details of activities covered the three-year period 1999-2000 to 2001-02. The total funding allocated for the three-year period is £48 million.

63. In their strategies and associated activities plan, institutions were encouraged:

- to include objectives which explicitly linked to the institution's corporate plan
- to be specific about proposed activities
- to include both intermediate and final targets whose achievement could be objectively demonstrated.

64. When reviewing AOSs, therefore, we had specific information against which to monitor institutional progress in learning and teaching activity.

65. Our analysis of AOSs suggests:

a. Around four-fifths of institutions (82 per cent) were fully or mostly achieving the activities and targets that they had set for 1999-2000.

b. A few institutions (5 per cent) had fallen behind in their plans, and we will discuss their plans to remedy slippage. Institutions did not receive the first tranche of their 1999-2000 funding until March 2000, and in some cases this will have delayed spending.

c. Around one-tenth of institutions (12 per cent) had provided insufficient information for us to form a view about progress. This was often because the institution's AOS did not refer in detail to the activities and targets which they had indicated they would support with funding (as described in an annex to their strategy). We will contact these institutions about their progress.

66. As institutions' plans covered three years, we already hold details of proposed activities and targets for 2000-01. However, some institutions took the opportunity to restate or enhance this information in the AOS.

Higher Education Reach-Out to Business and the Community (HEROBC) fund

67. This funding is to develop the capability of HEIs to respond to the needs of business and the community, and to contribute to economic growth and competitiveness, by enabling them to put into practice the organisational and structural arrangements to achieve their aims.

68. Institutions were asked to draw up a strategy for improving their interaction with business, reflecting their mission, track record, and regional and national needs of business. They were asked to identify measurable outcomes flowing from the activities supported by additional funding.

69. Our approach to HEROBC had a stronger competitive element than for widening participation, learning and teaching, and project capital. Institutions supported in the first round of HEROBC funding will receive funds from January 2000 to July 2003, and those funded in the second round will be supported from August 2000 to July 2004. Institutions supported in the first round will receive £60 million over the four-year period, with a further £22 million available for institutions supported in the second round. The 82[2] institutions receiving funding in 1999-2000 only received funds for a seven month period from January to July 2000 (£11 million in total).

70. Our analysis of AOSs suggests:

a. The great majority of institutions (89 per cent) have fully or mostly achieved the targets and activities described in their business plan for the first year.

b. Institutions mostly provided sufficient information for us to form a view about their performance.

c. A small minority of institutions (7 per cent) have fallen behind in their plans. In a number of cases this was due to the lead-times for recruiting staff. We will discuss with these institutions their plans to remedy slippage.

d. In terms of activities and targets for 2000-01, the additional information given in the AOS was helpful as there had been some revision to plans since the initial bids (either in response to funding allocations lower than the institution's original bid, or minor changes in direction as implementation progresses).

e. We felt that a small minority of institutions (11 per cent) did not describe their activities or targets in sufficiently specific terms to provide a satisfactory basis for monitoring progress next year, and we will seek further information.

Project capital

71. We are providing earmarked capital funding for the period March 1999 to March 2002. Ninety million pounds is being provided to improve the capital and IT infrastructure in support of teaching and learning, and there is £150 million for research capital projects. Over 400 projects will be supported over the three-year period.

72. Institutions' allocations have been determined by formula. To be funded, institutions needed to identify projects which would deliver the quantifiable outcomes that they have made a priority, and, once the project specifications have been approved, to deliver these outcomes. It took some time for projects to be developed and approved, which in some cases had a knock-on effect on the timescale for their completion. Also the lead-time for major building projects can be significant, for example because of the need to obtain planning permission and carry out tendering processes. Where specific information was provided in the AOS, this has been used to update our records about estimated start and completion times for projects.

73. Our analysis of AOSs suggests:

a. Equipment-only projects: 42 projects were due to be completed by the end of the 1999-2000 academic year. Of these, 23 were fully or mostly complete, seven were delayed and for the remainder there was insufficient

[2] This figure includes two bids from institutions in Northern Ireland. It excludes five collaborative bids because we would not be comparing 'like with like' in the analysis.

information in the AOS to make a judgement on progress.

b. Building and mixed building and equipment projects: of the 26 projects due to be completed by the end of 1999-2000, 12 were fully or mostly complete, four were delayed, and for the remainder there was insufficient information to make a judgement.

Next steps on annual operating statements

74. The great majority of institutions have demonstrated through their AOS that they are making good progress against their plans in the first year of activity for the widening participation, learning and teaching, and HEROBC initiatives. The position for the completion of capital projects is mixed in this first year of funding, but that may be expected given the significant lead-times involved.

75. Where an institution had provided insufficient information for us to make a judgement about progress against the institution's own activities and targets, it had often done so for more than one strategic initiative. However, the information we received on some initiatives indicated that our original requests for that information were insufficiently clear. We will remedy this in future years.

76. Where an institution provided no information at all on progress, we will write to request it. Where, as was much more common, the information provided was inadequate or unclear, we will follow that up through the Regional Consultants' routine contacts with institutions.

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Annex A

2000 financial forecasts

Surplus/(deficit) after depreciation of assets at valuation and tax (in £ millions)

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
1995 financial forecasts	158	65	25	21	15					
1996 financial forecasts		49	-13	-26	-33	-58				
1997 financial forecasts			64	41	39	-27	-45			
1998 financial forecasts				161	90	84	60	49		
1999 financial forecasts					148	91	64	85	84	
Actual results	221	107	138	265	173					
2000 financial forecasts						132	41	58	94	103

Total income (in £ millions)	Actual					Forecast				
	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
Total income	8,164	8,639	9,025	9,500	9,915	10,328	10,750	11,138	11,543	11,924

Annex B

2000 financial forecasts

Income and expenditure account – HEFCE HEIs sector total

		1998-99 £000	1999-2000 £000	2000-01 £000	2001-02 £000	2002-03 £000	2003-04 £000
Income		Actual					
1.	Funding council grants	3,950,252	4,114,966	4,237,958	4,317,948	4,395,238	4,460,197
2.	Academic fees and support grants	2,303,971	2,431,232	2,587,216	2,741,709	2,884,320	3,018,561
3.	Research grants and contracts	1,504,767	1,578,558	1,719,041	1,830,558	1,936,845	2,040,365
4.	Other operating income	1,914,154	1,978,946	2,002,249	2,044,257	2,121,802	2,196,366
5.	Endowment income and interest receivable	241,821	224,222	204,008	203,715	204,852	208,758
6.	Total income	9,914,965	10,327,923	10,750,472	11,138,187	11,543,058	11,924,248
Expenditure							
7.	Staff costs	5,596,634	5,939,720	6,267,844	6,492,349	6,736,540	6,982,897
8.	Depreciation	419,750	440,224	464,061	492,304	507,821	516,386
9.	Other operating expenses	3,551,185	3,689,602	3,819,217	3,910,633	4,015,150	4,130,651
10.	Interest payable	173,525	173,760	180,740	188,683	191,095	189,179
11.	Total expenditure	9,741,094	10,243,306	10,731,861	11,083,969	11,450,606	11,819,112
12.	Exceptional items		48,075	23,717	6,070	3,943	-721
13.	Surplus/(deficit) after depreciation of assets at valuation and before tax	173,871	132,692	42,327	60,288	96,395	104,415
14.	Taxation	-592	-398	-226	-744	-961	-737
15.	Minority interest	-84	-319	-1,286	-1,322	-1,212	-1,005
16.	Surplus/(deficit) after depreciation of assets at valuation and tax	173,195	131,975	40,815	58,222	94,222	102,673
Note of historical cost surpluses and deficits							
17.	Surplus/(deficit) after depreciation of assets at valuation and tax	173,195	131,975	40,815	58,222	94,222	102,673
18.	Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	59,655	56,396	53,858	52,591	52,366	55,411
19.	Realisation of property revaluation gain of previous years	18,544	17,081	29,052	12,256	24,104	22,635
20.	Historical cost surplus/(deficit) after tax	251,394	205,452	123,725	123,069	170,692	180,719

Annex C

2000 financial forecasts

HEFCE HEIs – diversity of income 1994-95 to 2003-04

	1994-95 %	1995-96 %	1996-97 %	1997-98 %	1998-99 %	1999-2000 %	2000-01 %	2001-02 %	2002-03 %	2003-04 %
Funding council grants	42.9	40.6	38.5	38.0	39.8	39.8	39.4	38.8	38.1	37.4
Overseas fees	4.7	4.9	5.3	5.7	5.6	5.5	5.7	6.0	6.2	6.5
Other fees	18.4	19.3	19.8	19.5	17.7	18.1	18.4	18.6	18.7	18.8
Research councils	5.1	5.1	4.8	4.7	4.7	4.8	5.1	5.2	5.3	5.5
Other research	9.6	9.7	10.2	10.4	10.5	10.5	10.9	11.2	11.4	11.6
Other services rendered	4.1	4.5	5.1	5.1	5.0	4.3	4.3	4.4	4.4	4.4
Residences and catering	6.7	6.8	7.0	7.1	7.1	7.1	7.1	7.0	7.1	7.0
Other operating income	6.0	6.6	6.9	6.8	7.2	7.7	7.2	6.9	6.9	7.0
Endowments	2.4	2.5	2.5	2.6	2.4	2.2	1.9	1.8	1.8	1.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Annex D

2000 financial forecasts

Balance sheet HEFCE HEIs sector total

		31/7/99 £000 (actual)	31/7/00 £000	31/7/01 £000	31/7/02 £000	31/7/03 £000	31/7/04 £000
1.	Fixed assets						
	1a. Tangible assets	9,626,602	9,965,817	10,672,745	11,166,301	11,271,484	11,181,597
	1b. Investments	310,384	330,738	306,550	310,759	320,068	330,934
	1c. Total fixed assets	9,936,986	10,296,555	10,979,295	11,477,060	11,591,552	11,512,531
2.	Endowment asset investments	2,227,484	2,293,218	2,357,451	2,415,715	2,476,223	2,537,578
3.	Current assets						
	3a. Stocks and stores in hand	51,428	53,823	54,927	60,978	54,496	55,986
	3b. Debtors	1,143,324	1,174,963	1,194,085	1,222,260	1,244,459	1,276,287
	3c. Investments	1,207,579	1,150,951	1,097,453	1,090,720	1,155,804	1,219,710
	3d. Cash in hand and at bank	438,235	418,562	436,722	428,246	461,006	552,122
	3e. Total current assets	2,840,566	2,798,299	2,782,187	2,802,204	2,915,765	3,104,105
4.	Creditors: Amounts falling due within one year						
	4a. Creditors	1,768,811	1,768,094	1,798,919	1,830,106	1,863,796	1,901,615
	4b. Current portion of long-term liabilities	73,033	70,688	76,774	83 677	86,672	90,743
	4c. Bank overdrafts	75,268	50,102	37,566	32,716	33,293	33,676
	4d. Total amounts falling due within one year	1,917,112	1,888,884	1,913,259	1,946,499	1,983,761	2,026,034
5.	Net current assets/(liabilities)	923,454	909,416	868,930	855,705	932,005	1,078,071
6.	Total assets less current liabilities	13,087,924	13,499,189	14,205,676	14,748,480	14,999,779	15,128,180
7.	Creditors: amounts falling due after more than one year						
	7a. Reimbursable by the funding council	172,578	166,150	154,837	143,778	133,285	123,119
	7b. External borrowing	1,778,350	1,841,151	1,967,789	2,065,050	2,083,029	2,068,490
	7c. Other long-term creditors	83,708	105,480	102,189	98,249	94,447	91,866
	7d. Total amounts due after more than one year	2,034,636	2,113,481	2,224,815	2,307,077	2,310,761	2,283,475
8.	Provisions for liabilities and charges	253,689	241,280	235,658	222,468	212,268	209,072
9.	Total assets less liabilities	10,799,599	11,144,428	11,745,204	12,218,935	12,476,751	12,635,633
10.	Deferred capital grants	2,046,608	2,201,429	2,631,634	2,919,640	2,976,063	2,931,878
11.	Total net assets	8,752,991	8,942,999	9,113,569	9,299,295	9,500,688	9,703,754
12.	Endowments						
	12a. Specific endowments	1,720,195	1,754,090	1,800,979	1,843,642	1,888,193	1,932,948
	12b. General endowments	525,800	539,128	556,472	572,073	588,030	604,630
	12c. Total endowments	2,245,995	2,293,218	2,357,451	2,415,715	2,746,223	2,537,578
13.	Reserves						
	13a. Revaluation reserve	3,077,680	2,965,723	2,868,923	2,802,648	2,728,840	2,657,216
	13b. Minority interest	2,641	2,188	1,934	1,863	2,003	2,450
	13c. Income and expenditure account	3,426,675	3,681,871	3,885,261	4,079,070	4,293,622	4,506,510
	13d. Total reserves	6,506,996	6,649,781	6,756,118	6,883,580	7,024,465	7,166,176
14.	Total funds	8,752,991	8,942,999	9,113,569	9,299,295	9,500,688	9,703,754

Annex E

2000 Financial forecasts

Cash flow statement HEFCE HEIs sector total

		1998-99 £000 (actual)	1999-2000 £000	2000-01 £000	2001-02 £000	2002-03 £000	2003-04 £000
1.	Cash flow from operating activities	342,426	271,003	346,749	386,766	439,287	472,985
2.	Returns on investments and servicing of finance						
	2a. Income from endowments	90,716	90,011	84,679	87,927	89,986	91,796
	2b. Income from short-term investments	114,612	90,790	84,835	79,808	78,172	77,580
	2c. Other interest received	27,664	20,139	18,379	17,165	16,599	17,000
	2d. Interest paid	-158,781	-167,083	-172,003	-180,269	-182,854	-180,449
	2e. Other items	7,947	9,299	8,348	7,877	7,273	6,876
	2f. Net cash inflow from returns on investments and servicing of finance	82,158	43,156	24,238	12,508	9,176	12,802
3.	Taxation	-386	-482	-224	-743	-957	-732
4.	Capital expenditure and financial investment						
	4a. Payments to acquire tangible assets	-1,015,997	-922,685	-1,254,466	-1,039,910	-652,146	-445,176
	4b. Payments to acquire endowment asset investments	-367,483	-106,218	-87,970	-80,645	-81,350	-81,526
	4c. Total payments to acquire fixed/endowment assets	-1,383,480	-1,028,903	-1,342,436	-1,120,555	-733,496	-526,702
	4d. Receipts from sale of tangible assets	79,722	145,840	122,902	56,823	39,358	65,327
	4e. Receipts from sale of endowment assets	269,304	70,277	90,765	57,360	51,537	51,461
	4f. Deferred capital grants received	255,917	291,938	588,224	433,982	204,563	111,026
	4g. Endowments received	88,216	17,011	13,345	13,631	14,326	14,500
	4h. Other items	93,044	36,249	60,901	61,217	42,499	24,677
	4i. Net cash outflow from capital expenditure and financial investment	-627,277	-467,588	-496,300	-497,542	-381,213	-259,711
5.	Acquisitions and disposals	18,109	1,011	4,912	300	1,000	1,000
6.	Cash flow before use of liquid resources and financing	-184,970	-152,899	-120,625	-98,711	-67,293	226,344
7.	Management of liquid resources	48,397	71,789	26,265	-1,137	-53,812	-116,958
8.	Financing						
	8a. Capital element of finance lease repayments	-21,215	-22,048	-11,960	-11,228	-10,483	-7,646
	8b. Mortgages and loans acquired	310,036	210,411	204,741	157,414	90,630	65,431
	8c. Mortgage and loan capital repayments	-194,548	-166,326	-69,680	-58,507	-70,136	-76,381
	8d. Other items	17,845	63,312	3,300	8,547	8,609	-59
	8e. Net cash flow from financing	112,118	85,349	126,401	96,226	18,620	-18,655
9.	Increase/(decrease) in cash in the period	-24,455	4,239	32,040	-3,623	32,102	90,733

Annex F

Case studies of good practice

1. Our review of institutions' July 2000 annual operating statements identified a number of examples of good practice, in terms of both institutions' use of funds from major HEFCE strategic funding initiatives, and the discussion about the achievement of their plans and the future activities in the AOS. These examples of good practice are illustrated by the case studies below.

Widening participation

2. Student-related funding for widening participation is allocated to institutions in direct proportion to their success in recruiting students from low-participation areas. This funding recognises the success of institutions in recruiting disadvantaged students and the extra cost of enabling them to succeed.

A research-intensive university

This pre-1992 university has a strong commitment to enhancing its research profile but has as a key objective a determination to increase both the number and range of its students.

Its initial statement on widening participation, submitted in October 1999, identified the broad areas in which it would be active: raising aspirations and pre-entry preparation; developing its curriculum; supporting students and enhancing their employability; and developing the university's internal capability.

In its AOS it reported on all these and linked them to its work in the major HEFCE-funded special initiative in widening participation. It reported activities in all the areas described above, in each case describing both the activities and the achievements, frequently in quantitative terms and also setting new targets for the next year. For example, it has developed an extensive student-tutoring scheme with over 55 student tutors working in local schools.

This university established a programme of 'Aiming for a College Education' days and recorded both the number of these and the numbers of pupils participating. It has also established partnerships with 45 schools and FE colleges, and 25 university departments are involved. Each of these programmes is planned to be either maintained or expanded.

It has also examined its curriculum to ensure that it is consistent with the needs of a diverse student body. It developed new courses to provide top-up degrees for HND programmes offered by partner colleges, and has plans to develop new ones. It has also addressed the question of student support – partly through the use of information and communication technology to develop study support materials, and has established a number of pre-entry and on-course programmes, including summer schools, for students who may need additional support.

Staff development has not been neglected, with all new staff taking an initial Certificate in Teaching and Learning, which includes material on supporting a diverse student body.

The AOS concludes with a statement as to how the postcode-premium funding for widening participation has been spent and outlines the plans for its use in the next year.

This is a highly strategic approach to widening participation for a research-led university, in which all the strategic activities, including learning and teaching, link together.

A 'new' university

This post-1992 university sent an updated version of its initial 1999 statement on widening participation with its AOS in July 2000. In the 1999 strategic statement, the university had provided a good profile of its student body using its own data but had not had the opportunity to compare this with national benchmarks as shown in the university's performance indicators. In the initial statement, it had also provided some evidence from the Regional Development Agency and Government Office of areas of deprivation in its vicinity. In the revised statement, these data were updated and the university described the work it had carried out with the local schools, further education colleges and other organisations, including the Open College Network, to develop access and progression routes.

These data and the description of activities provided a good base for understanding the current position of the university, and the structures it had put in place for development.

The university has set itself a range of quantitative targets for 2000-01 for recruitment from disadvantaged and under-represented groups. These targets are global and include quite specific targets for particular subject areas. For example, the university aims to increase the numbers of female students on courses in the built environment where they are under-represented, and to increase the numbers of male students from its county who are under-represented in higher education.

The university then describes the range of activities it has been undertaking to widen participation and its future planned activities. These include a range of outreach activities as well as consideration of the curriculum and support mechanisms for students on courses, even though the university is in line with its benchmark for progression. The revised statement concludes with a description of the ways the premium funding has been used and plans for its use in the coming year.

This AOS showed particular good practice in its careful evaluation of the data on its existing student body and a careful review of current activities before discussing its plans for the future. All its activities were derived from an analysis of the current position and involved a coherent approach to enhancing performance.

A specialist college

This teaching-led college, which specialises in the creative arts, has as a key aim to offer a range of learning opportunities to young and mature adults from all backgrounds and cultures. Its access and widening participation strategy, on which it reports in the AOS, includes a commitment to enhancing provision for students with disabilities. Its outreach work includes provision of short courses as a way of attracting students into the creative arts. It also works with FE colleges to provide a curriculum with progression opportunities. It successfully delivered a summer school in partnership with a large neighbouring research-led university.

It includes in its AOS a summary of activities undertaken using the HEFCE premium funding for widening participation, and plans for its future use. Particular attention is paid to developing retention action plans and to providing support for students with disabilities. Though these plans do not include detailed quantitative targets, the statement as a whole is characterised by its clear link to the college's strategic aims and by their comprehensive nature.

Learning and teaching

3. The purpose of this funding is to promote the development and implementation of institutional learning and teaching strategies. We requested a strategy from each institution in January 2000, together with details of activities which identified how HEFCE funds would be used. Strategies cover a three-year period (1999-2000 to 2001-02).

A research-intensive university

This multi-faculty redbrick university received more than £250,000 in 1999-2000 to implement the HEFCE-funded parts of the learning and teaching strategy.

The institution is concerned to maintain and enhance its learning and teaching quality and standards, while ensuring that it is more responsive to changes in the HE market, particularly the changing nature of its student body. The institution used its strategic statement on learning and teaching to set targets that were both generic to all learning and teaching, and more specific to the introduction of new, more diverse student groups. For example, targets relating to staff development and the maintenance of standards were set alongside efforts to develop a more student-centred learning approach, accredit prior learning and modularise undergraduate courses. There was therefore a direct link between the specific, structural targets set in its widening participation statement and those related to the provision of teaching. This integrated approach to learning and teaching and widening participation was carried through in the AOS.

The strategy also sets out a clear index of responsibilities for individuals and units, which has made it easier to monitor progress within the institution. The activities form, which accompanies the three-year strategy, clearly sets out intended outcomes and intermediate milestones for each activity to be funded. In particular, the activities form sets out anticipated progress in each academic year, making it easy to monitor through the AOS and to link back to the strategy.

A small specialist institution

This specialist institution received £30,000 in 1999-2000. Its strategic statement for learning and teaching focuses on four broad areas: the student experience; curriculum; learning resources; and staff development. The strategy makes specific links with its widening participation targets as it is actively seeking to increase the diversity of both its *entry routes and its students*. Its activities to widen participation include a very targeted programme of visits to schools to be followed up with intensive 'taster' visits. It is also undertaking a series of preliminary investigations to determine if its provision is equally accessible to all students. For example, it is concerned that its learning resources may not be readily accessible to disabled students, and it is seeking advice on whether it could do more to accommodate the needs of students with children. It is generally concerned to provide a supportive learning environment that recognises the diversity of students' needs.

The majority of the college's HE provision is non HEFCE-funded, but the comprehensive learning and teaching strategy brings both its HEFCE-funded and non-HEFCE-funded activities together. The AOS follows the same format as the activities form, going through each proposed activity in sequence and reporting progress on each. The funding source for each activity is stated, which means that the AOS can satisfy the accountability needs of other funders as well as the HEFCE. Where an activity has been revised due to unanticipated circumstances (such as difficulty in recruiting), a plan is set out for getting the project back on track.

A teaching-led institution

This HE college has an excellent record of widening participation and already has a diversity of students enrolled. As such, it has fully integrated its widening participation objectives into the learning and teaching strategy, so that they complement one another. The institution is particularly concerned to promote increased ownership of the learning process by the student, and this is supported by detailed attention to staff development issues including an organisation-wide annual staff development plan based on identification and analysis of staff development needs.

The learning and teaching strategy is particularly focused on improving retention and completion rates, for example through an extended annual programme of diagnostic testing for individual needs which is followed up by targeted remedial provision and learning skills programmes. This supports the college's widening participation strategy, which aims both to recruit students from disadvantaged backgrounds and to help such students succeed.

Higher Education Reach-out to Business and the Community (HEROBC)

4. Institutions' proposed plans for HEROBC funding were expected to be consistent with their individual missions and strengths, taking account of their local or regional context. Each award was made (providing funding for a period of up to four years) at a level which took some account of the size of the institution as well as the quality and credibility of the planned outcomes.

A research-intensive institution

This university set as its aim 'enhancing responsiveness to the needs of business'. This was embodied in plans to establish a gateway to act as a broker linking the needs of business with the appropriate university centre of expertise, service or individual member of staff. The gateway focuses on four specific disciplines, including engineering and social sciences, and is based in an academic department rather than an administrative centre.

The role of the gateway is to:

- disseminate a knowledge of university research into the public and industry domain
- create a knowledge network across all faculties, to market the services which exist within the university
- act as a source of expertise regarding funding available to small and medium-sized companies.

The gateway will provide a key part of the basis for a sub-regional initiative, bringing together HE, large and emerging companies, and professional support groups to create favourable conditions for high technology development. These plans will require additional professional staff and will generate an industrial placement programme for students, supported by awareness and enterprise workshops.

Integral to the HEROBC-funded work is the setting of targets for activity and outcomes, combined with internal monitoring and evaluation by a steering group, whose members include representatives of employers supporting the scheme and business organisations.

A consortium approach

All of the higher education institutions in one region joined together in designing a programme focused on raising the skills of those staff directly involved in reach-out activities. The end result will be a regionally accredited programme of professional development, partnership, and support for such staff in every institution to maximise the impact of activities already being funded under HEROBC in the individual HEIs.

The consortium will produce a modular learning programme, materials for use by HEIs' own in-house trainers, and a regional support network consisting of employers,

intermediary organisations and the Regional Development Agency. Objectives include:

- career development
- greater effectiveness in independently evaluated business linkages and customer service
- facilitating the placement and exchange of staff with businesses in the region
- engagement in and understanding of the regional economic strategy
- a fuller involvement of HE staff in business sector-based initiatives.

It is also planned to disseminate transferable aspects of the overall programme nationally.

The consortium set targets – which are largely numerical – relating to throughput of staff, the increase in business partnerships, accreditation of training, staff exchanges, and the establishment of newsgroups and network meetings. In addition the consortium has made arrangements for monitoring and evaluation using an independent evaluator reporting to a Development Group. Regional agencies and individual staff are contributing to quality assurance by providing evidence about the impact of the programme, as well as percentage coverage of the target groups.

Common strands of good practice

5. The common characteristics of good practice shown in the HEROBC examples include:

- planned activity tailored to the institution's mission and strengths
- demonstrable relevance to business and community needs
- defined plans including budgets, timing and deliverables
- arrangements for objective local monitoring.

Clear evidence is also given of the way in which the HEROBC-funded 'third strand' actions will become embedded in the institutional culture.

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